

## VA's Mission

To fulfill President Lincoln's promise—"To care for him who shall have borne the battle, and for his widow, and his orphan"—by serving and honoring the men and women who are America's Veterans.

## VA Franchise Fund's Mission

To be the provider of choice of common administrative support services for VA and other government agency customers, enabling them to best meet their primary missions.

## VA Franchise Fund's Vision

To provide comprehensive business solutions for tomorrow's government.

## VA Franchise Fund's Values

To guide us in fulfilling our mission, our employees strive to uphold core values that are consistent and closely aligned with those of VA. These values include integrity, commitment, advocacy, respect, and excellence.



***"To care for him who shall have borne the battle, and for his widow, and his orphan."***

## VA Core Values

### Integrity

Act with high moral principle. Adhere to the highest professional standards. Maintain the trust and confidence of all with whom I engage.

### Commitment

Work diligently to serve Veterans and other beneficiaries. Be driven by an earnest belief in VA's mission. Fulfill my individual responsibilities and organizational responsibilities.

### Advocacy

Be truly Veteran-centric by identifying, fully considering, and appropriately advancing the interests of Veterans and other beneficiaries.

### Respect

Treat all those I serve and with whom I work with dignity and respect. Show respect to earn it.

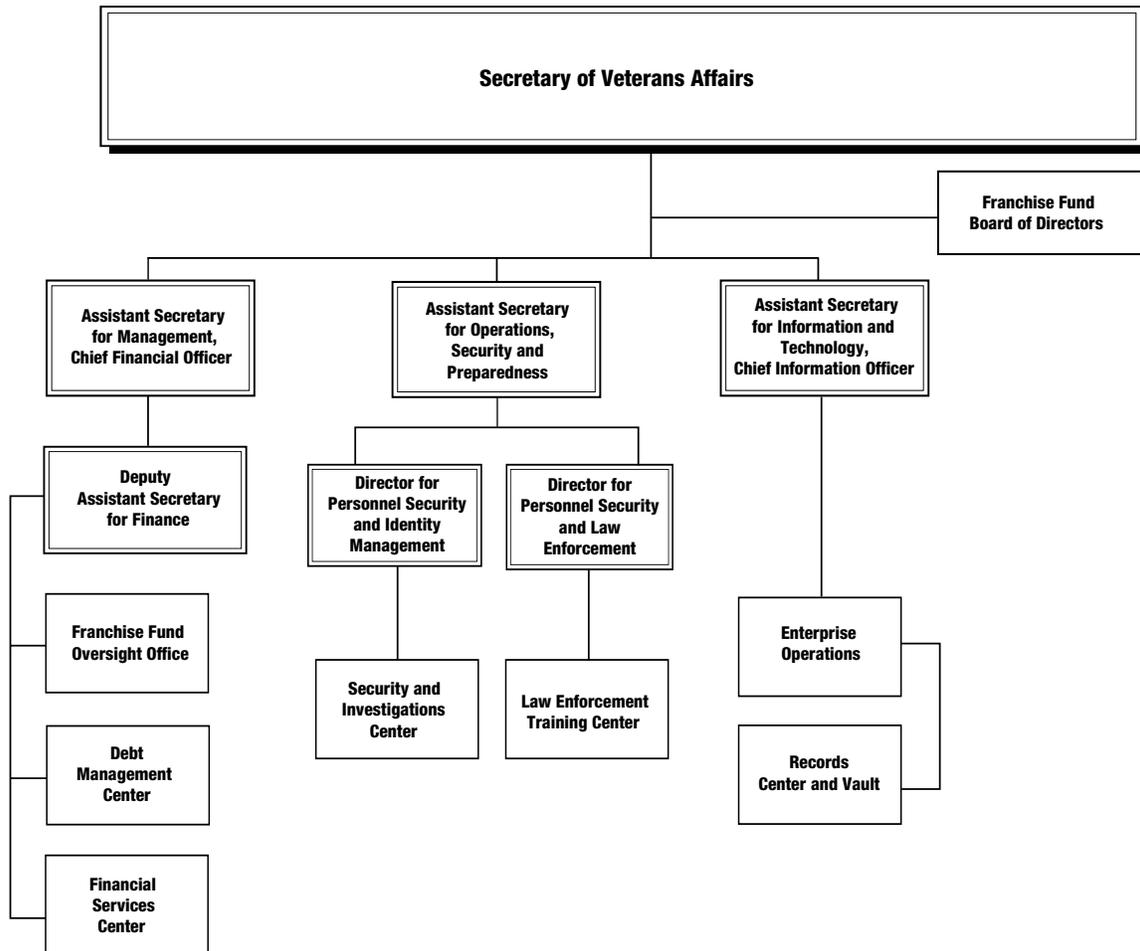
### Excellence

Strive for the highest quality and continuous improvement. Be thoughtful and decisive in leadership, accountable for my actions, willing to admit mistakes, and rigorous in correcting them.

# Members of the VA Franchise Fund Network

## Origin of the VA Franchise Fund

The VA Franchise Fund was established under the authority of the Government Management Reform Act of 1994 and the VA and Housing and Urban Development and Independent Agencies Appropriations Act of 1997. VA was selected by the Office of Management and Budget (OMB) in 1996 as one of six Executive branch agencies to establish a franchise fund pilot program. Created as a revolving fund, the VA Franchise Fund began providing common administrative support services to VA and other government agencies in 1997 on a fee-for-service basis. In 2006, under the Military Quality of Life and Veterans Affairs Appropriations Act, Public Law 109-114, permanent status was conferred upon the VA Franchise Fund.



## Organizational Structure

The VA Franchise Fund is comprised of an administrative office (Franchise Fund Oversight Office) and six self-supporting lines of business (Enterprise Centers). The directors of the individual Enterprise Centers and their staffs are responsible for customer liaison and coordination, business planning and development, staffing, and execution of day-to-day business activities consistent with their annual business plans. The Franchise Fund Board of Directors is composed of representatives from the three VA organizations that manage the Enterprise Centers (the Office of Management; the Office of Operations, Security, and Preparedness; and the Office of Information and Technology), major organizations within VA, Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA), and pertinent VA staff offices).

# Members of the VA Franchise Fund Network

## Entrepreneurial Network

We are one of the leading fee-for-service operations in government. By employing people nationwide to execute our day-to-day business activities, we provide our customers with services that save resources and allow them to concentrate on mission-critical functions within their organizations. We have positioned ourselves to meet the needs of any Federal agency at competitive prices.

**Information Technology (IT)**

**Records Center and Vault (Neosho, MO)**

- Records Storage
- Records Destruction Services
- Records Management Services

## Business Segments

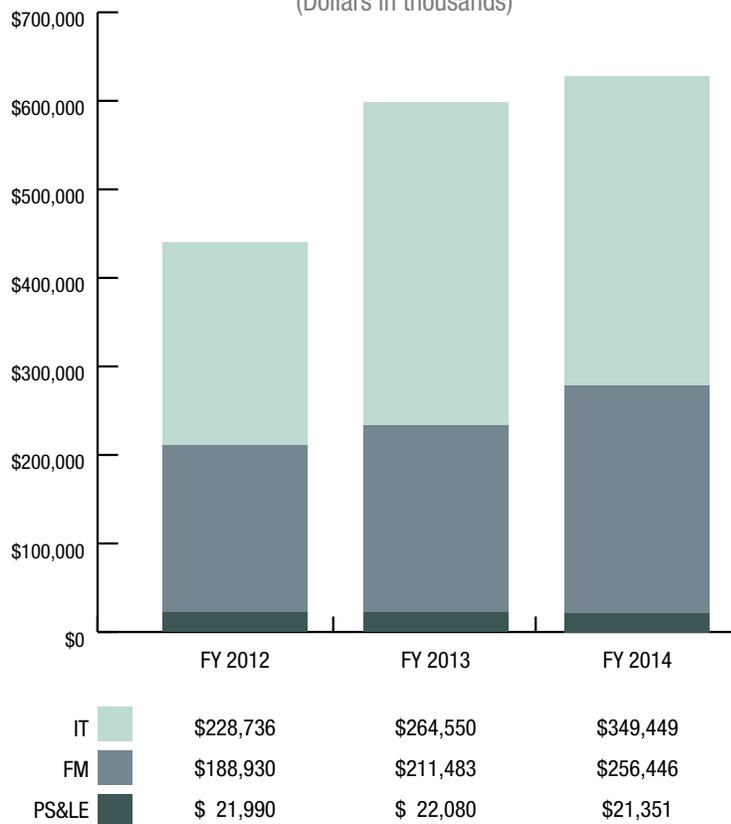
The VA Franchise Fund is comprised of three major segments: information technology (IT), financial management (FM), and Personnel Security and Law Enforcement (PS&LE). The chart below shows the revenue among our segments for FY 2012 through FY 2014.

The IT segment generated \$349 million in revenue in FY 2014, which is a significant increase from \$265 million in FY 2013.

The FM segment generated \$256 million in FY 2014, which is a notable increase from \$211 million in FY 2013.

The (PS&LE) segment ended FY 2014 with over \$21 million in revenue which is a slight decrease from the \$22 million in revenue reported at the end of FY 2013.

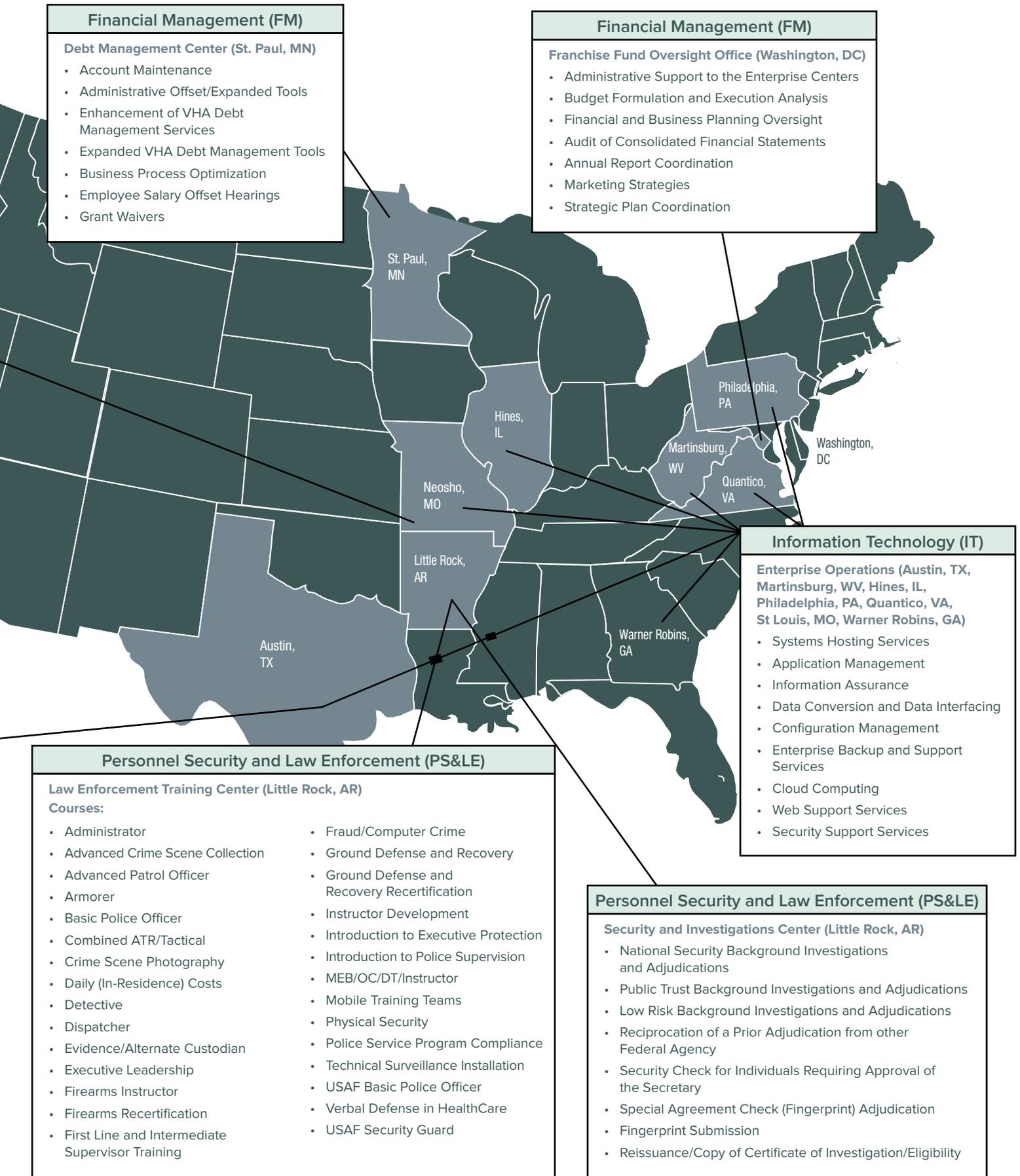
VA Franchise Fund  
Revenue Trend by Major Segments  
(Dollars in thousands)



**Financial Management (FM)**

**Financial Services Center (Austin, TX)**

- Financial Reports and Accounting
- Construction Accounting
- Credit Card Payments
- Vendor File Maintenance
- Customer Care Center
- Rejects and Adjustments
- Prime Vendor Subsistence
- Electronic Commerce/Electronic Data Interchange
- Document Management System
- Payroll Support Services
- Travel Services
- Common Administrative Services
- Financial Systems Oversight
- FMS Service Requests
- Audit Services
- Purchased Care Claims Services
- Combo II Services
- Common Administrative Services
- Consulting



## Members of the VA Franchise Fund Network



Vikki Soukup,  
Acting Director,  
Debt Management  
Center



Chris Shorter,  
Executive Director,  
Enterprise Operations



Teresa Riffel,  
Director, Financial  
Services Center



Monica Pullin, Director,  
Franchise Fund  
Oversight Office



James Ward, Director,  
Law Enforcement  
Training Center



David Kubacki,  
Director, Records  
Center and Vault



Joshua Blockburger,  
Director, Security and  
Investigations Center

### Information Technology

**Enterprise Operations (EO).** Comprised of data centers in Austin, TX; Martinsburg, WV; Hines, IL; Philadelphia, PA; Quantico, VA; St Louis, MO; and Warner Robins, GA; the EO provides comprehensive e-government solutions to match the critical needs of VA and other Federal agency customers, from managing data to automating business processes. The EO supports over 300 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits and supply functions. In addition, the EO offers a full complement of technical solutions to best meet customer needs.

**Records Center and Vault (RCV).** Located in a subterranean, climate-controlled facility in a remote Midwestern part of the country, the RCV provides records storage, protection, and management services for official Federal records. The 403,160 square foot facility is certified by the National Archives and Records Administration to operate as an agency records center. General, vital, and unscheduled records, as well as records pending litigation freezes are safely and securely stored in paper or film format for Federal customers.

### Financial Management

**Debt Management Center (DMC).** Located in St. Paul, MN, the DMC is a centralized facility that provides direct collection of delinquent consumer debt

owed to VA. The DMC's main services can be divided into two core areas, account maintenance and administrative offset. The DMC's account maintenance services provide a complete debt management and collection program. From establishment through disposition of the receivables, the DMC provides a full spectrum of administrative services to properly handle their customers' accounts receivable needs. The DMC also manages the administrative offset process for both internal benefit offsets and those referred to the Department of Treasury (Treasury) for offset under the Treasury Offset Program (TOP).

**Financial Services Center (FSC).** Located in Austin, TX, Waco, TX and Washington, DC, the FSC provides a full range of financial and accounting services. These services include financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payment processing, vendor file maintenance, discount subsistence purchases, payroll processing, and VA conference tracking and reporting. The FSC also provides customer support help desks for payroll, travel and payment processing, electronic commerce/ electronic data interchange, automated document management, audit recovery, permanent change of station and temporary duty travel pay processing, common administrative services, accounting training, and consulting.

**Franchise Fund Oversight Office (FFO).** Located in Washington, DC, the FFO functions as the business office for the VA Franchise Fund. As such, the FFO is responsible for providing administrative

support to the Enterprise Centers by directing and analyzing budget formulation and execution processes, administering financial resources, overseeing business planning activities, managing the annual financial statement audit for the Fund, preparing the annual reports and strategic plans, coordinating marketing activities, and serving as the liaison between the Enterprise Centers, their customers, and the VA Franchise Fund Board of Directors.

### Personnel Security and Law Enforcement

**Law Enforcement Training Center (LETC).** Located in Little Rock, AR, the LETC provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in health care or limited jurisdiction environments, the LETC is available to approximately 3,300 law enforcement personnel working at VA health care facilities and to law enforcement professionals at other Federal agencies.

**Security and Investigations Center (SIC).** Located in North Little Rock, AR, the SIC provides quality background investigations and timely adjudications for VA employees in public trust positions and all risk levels for VA contractors nationwide. Additionally, the SIC provides security checks for appointees, high-level award recipients centralized to the Secretary of VA, and supports the Personal Identification Verification (PIV) process for employees, contractors, and affiliates of the Department.

## Letter to Stakeholders



**Helen Tierney**  
Assistant Secretary  
for Management

On behalf of the Franchise Fund, I invite you to examine our FY 2014 Annual Report outlining the VA Enterprise Centers' accomplishments and plans for next year, and the Franchise Fund's audited financial statements. This report documents the Franchise Fund's progress in the delivery of exceptional support services to Department of Veterans Affairs (VA) and other government agencies (OGA). We ended FY 2014 with total revenue of \$627 million, which is a significant increase from FY 2013 revenue.

The Franchise Fund's progress resulted in some noteworthy accomplishments. They include:

- Attaining an unmodified audit opinion of our financial statements for the 17th consecutive year.
- Expanding the cloud delivery environment by tripling capacity during FY 2014, and supporting the efforts of many VA IT projects. (EO)
- Expanding the debt collection toolkit by adding administrative wage garnishment, private collection agencies, and Treasury debt collection resulted in a potential increase in collections for VHA of \$36 million annually. (DMC)
- Increasing FY 2014 credit card refunds by over one percent over FY 2013, representing \$54.9 million worth of refunds collected. These refunds were returned to VA entities for use in Veterans' programs. (FSC)
- Continuing to work with the VHA Leadership Council re-established in FY 2014, to ensure VHA field leadership is fully engaged and has a platform to provide direct input to identify law enforcement needs nationally. (LETC)
- Continuing to build an enterprise-wide software application that will streamline the background investigation request process and provide continuous case status to authorized personnel Department-wide. (SIC)
- Continuing to excel with records retrieval and prompt returns, maintaining a 99.9 percent success rate for retrieving records within established timeframes during FY 2014. (RCV)

These successful endeavors are examples of the Franchise Fund **providing exceptional value and outstanding services to our Federal customers**. The success of the Franchise Fund would not have been possible without the support of its customers. We thank all of our customers for their continuing support.

I am pleased to submit the Department of Veterans Affairs Franchise Fund FY 2014 Annual Report. We look forward to the coming year and are confident that we will continue to demonstrate sound business practices.

Helen Tierney

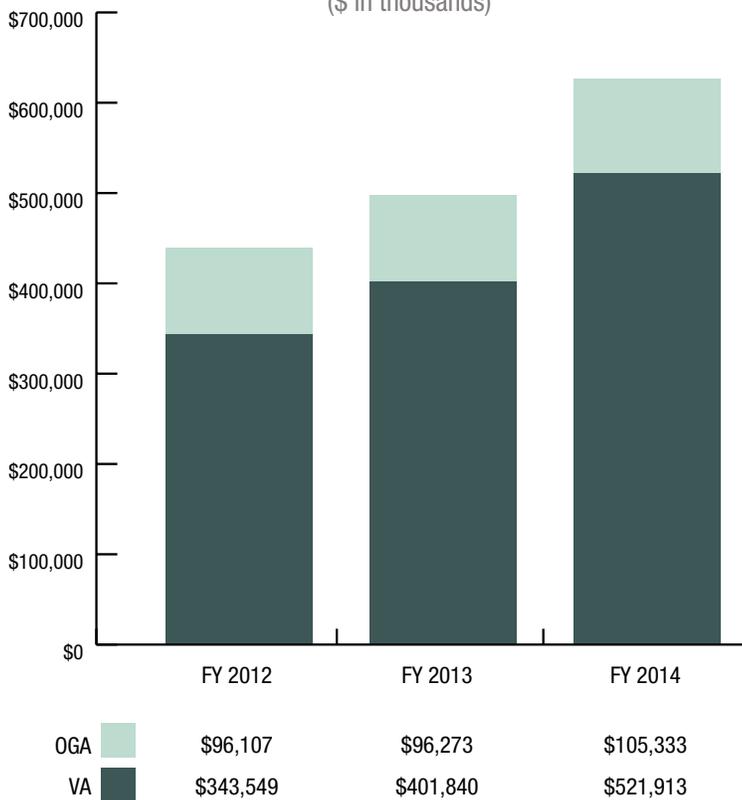
## Our Stakeholders

Our ultimate stakeholders are Veterans and their families who directly benefit from the services VA provides and those who carefully monitor the delivery of these services, including OMB, Congressional authorization and appropriations committees and subcommittees, and Veterans Service Organizations. Other stakeholders include VA and other government agencies.

As knowledgeable government professionals, we provide our stakeholders with creative, cost-effective, and practical solutions to help them accomplish their primary mission. Although Federal agencies have unique missions, our collective experience enables us to give expert advice from an insider's point of view, as we understand unique requirements and financial constraints. We realize that we must compete for business every day to retain our customers' trust and confidence.

The American public holds us accountable to high standards as we spend their tax dollars to administer government programs. Expensive and wasteful practices are not acceptable. We embrace resilience and resourcefulness as we adopt business practices that enable us to become more efficient and responsive.

VA Franchise Fund  
Revenue Sources – VA vs. OGA  
(\$ in thousands)



## External Stakeholders

- Veterans and their families
- Office of Management and Budget
- Congressional authorization and appropriations committees and subcommittees
- Veterans Service Organizations
- Private sector vendors
- Department of Agriculture
- Department of Defense
- Department of Health and Human Services
- Department of Homeland Security
- Department of the Interior
- Environmental Protection Agency
- Government Accountability Office
- Postal Regulatory Commission

## Internal Stakeholders

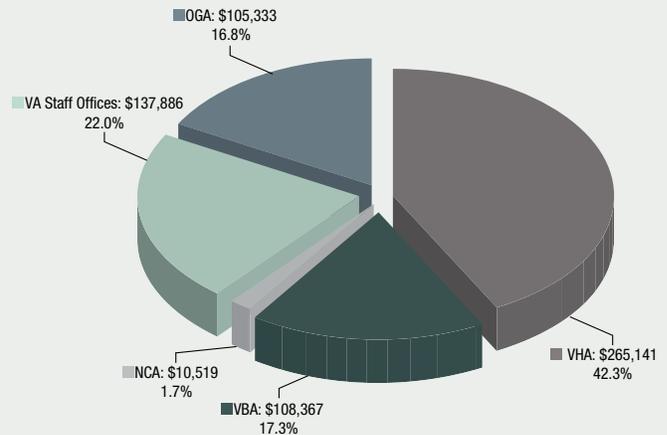
- Veterans Benefits Administration (VBA)
- Veterans Health Administration (VHA)
- National Cemetery Administration (NCA)
- VA Staff Offices

## Comparison of Customer Revenue from FY 2012–2014

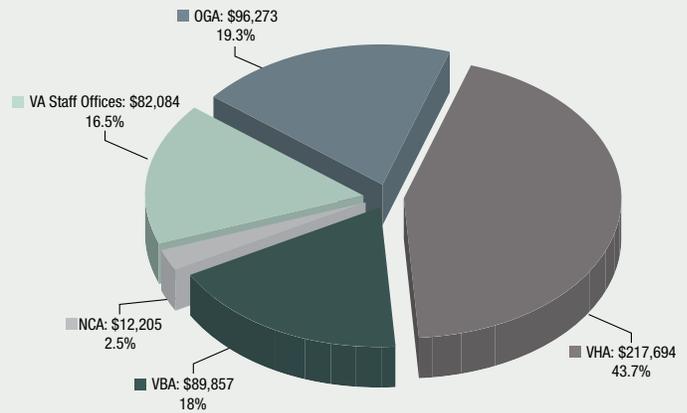
Approximately 83 percent of our revenue comes from VA customers. The remaining 17 percent comes from a wide variety of other government agency (OGA) customers. Within VA, VHA programs provide the most revenue to the Enterprise Centers.

Revenue from OGA customers increased between FY 2013 and FY 2014. The Franchise Fund ended FY 2014 with \$105 million in revenue, which is an increase from FY 2013 levels of \$96 million. This \$9 million revenue increase was due to increased business between the FSC and its two largest OGA customers, the Department of Homeland Security (DHS) and the Department of Health and Human Services (HHS).

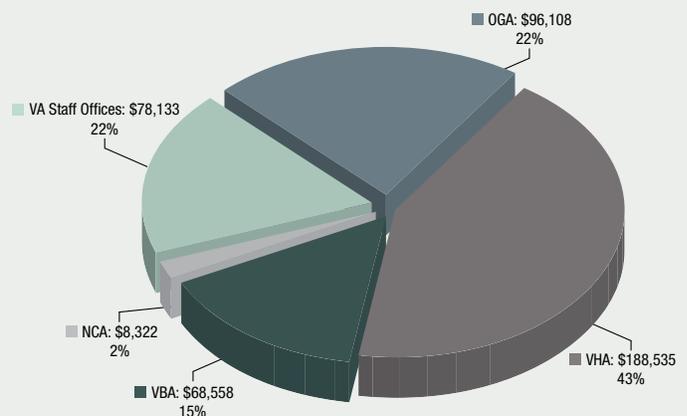
**VA Franchise Fund Revenue by Customer  
As of September 30, 2014**  
(Dollars in Thousands)



**VA Franchise Fund Revenue by Customer  
As of September 30, 2013**  
(Dollars in Thousands)



**VA Franchise Fund Revenue by Customer  
As of September 30, 2012**  
(Dollars in Thousands)



## Meeting VA Franchise Fund Objectives

### Information Technology Segment – EO

#### National Data Center Program Consolidation

Phase one of the National Data Center Program (NDCP) consolidation effort is underway, with eleven Veterans Health Information Systems and Technology Architecture (VistA) production instances from Field Operations Region two being migrated to the St. Louis DECC and seven VistA Production instances from Region three being migrated to the Warner Robins DECC.



Eighteen Region two and thirty-four Region three sites remain to be migrated. The EO has an interagency agreement for the Defense Information Systems Agency (DISA) to provide space for these facilities. VA staff will manage the hardware and applications housed at DISA. Phase 2, consisting of the migration of Region 1 and Region 4 VistA Production instances, is scheduled to begin in FY 2015 subject to funding availability.

#### Cloud Delivery Model

The EO's cloud delivery environment, which tripled in capacity in FY 2014, leverages many technology components and practices already in existence to deliver functionality in shorter timeframes and support the efforts of VA IT projects to deploy working business functionality in less than six months. Within the cloud, development and production servers are created instantly, as needed by developers, rather than being hindered by administrative delay.



#### Enterprise Operations Supports VBA Transformation Effort

To support the VBA transformation effort, the Office of Information and Technology (OIT) recently formed a DevOps collaborative organization. DevOps is an IT industry-leading best practice becoming synonymous with innovation. This effort is achieved by erasing the boundaries between development and operations to improve the efficiency of the overall business system.

In OIT's DevOps environment, development and operations personnel work together in a cross-functional team, increasing communication and collaboration to improve deployment, performance, and integration. The EO is intricately involved in the new DevOps organization. The OIT DevOps team is currently focusing on deploying a full suite of automation capable of monitoring all VBA Transformation environments (including development, test, pre-production, and production) with a goal of producing reports or dashboards that present data on the "state of the system" in a way that is easily understood.

## Rate Setting

The EO continues to align its rate setting process with standard private sector IT cost accounting and pricing practices. The EO's approach builds upon its historical rate setting tools and experience that allows for better cost comparisons and benchmarks with other IT providers. The model includes the use of service centers to identify and allocate indirect costs in ways more attributable to their end cost objectives. It allows the EO to unbundle some of its rates in those instances when a customer may want to have less than full data center services.

## IT Asset Management

IT Asset Management (ITAM) provides services that unite financial, contractual, and inventory functions to support life cycle management and strategic decision-making for the EO environment. Contracting Officers Representatives (CORs) manage the IT and non-IT contracts supported by the EO. They are the liaison between Contracting and the EO customers. The hundreds of contracts managed include IT and non-IT assets and services. Size of the contract can be as small as a purchase card to billions of dollars. The COR team works with the EO customers to create their Acquisition Packages for submission to Contracting for procurements. ITAM manages these acquisition packages as they make their way through the procurement cycle. ITAM is proficient in the many systems needed to manage the packages such as Integrated Funds Distribution Control Point Activity, Accounting and Procurement Purchase Number (IFCAP-PO); Automated Engineering Management System/Medical Equipment Reporting System (AMES/MERS); Change Management Database (CMDB); Virtual Office of Acquisition (VOA); IT Acquisition Requests (ITARs) and IT Asset Management (ITAM)



## VA and Department of Defense Sharing

### Initiatives

The EO supports the following applications related to the VA/DoD data-sharing initiative:

#### Nationwide Health Information Network

Nationwide Health Information Network (NHIN) receives data from DoD. NHIN facilitates communication with non-VA providers through the VA Gateway and provides an interface with internal systems for checking permissions, patient correlations, data retrieval, document generation, code translations and auditing.

#### Veterans Health Information Systems and Technology Architecture VistAWeb

VistAWeb (NVW) is an intranet web application used to review remote patient information found in VistA, Bidirectional Health Information Exchange (BHIE) (DoD), HDR databases, and NHIN.

#### VA/DoD Identity Repository

VA/DoD Identity Repository (VADIR) consolidates data transfers between DoD and VA. DoD's Defense Manpower Data Center (DMDC) stages shared data as defined in a Memorandum of Understanding (MOU), and transmits data to VADIR. The VADIR data becomes available to VA organizations to assist in determining Veterans' benefits.

#### Virtual Lifetime Electronic Record

Virtual Lifetime Electronic Record (VLER) initiative offers a new way for health care providers to collaborate with one another as they provide care for our Service Members and Veterans. VLER is not a single system, but an initiative to share health care data by use of common standards. VLER enables authorized users within VA, DoD, private health care providers, and other government agencies to share health, personnel, and benefits information. The initiative also improves the delivery of health care and benefits to Service Members and Veterans, as well as their eligible designees.

## Monitoring/Automated Operations

Automated Operations use Unicenter Network and Systems Management (NSM) and CA Technology's Service Assurance Suite, which provide the functionality to monitor and manage all enterprise operations. A single point offers control for administering critical resources, including heterogeneous systems, networks, packaged applications, databases, Web servers, and more. The EO is able to monitor CPU, disk, and memory utilizations, and task/service status. Automated operations alert and notify individuals as needed when any predetermined thresholds have been exceeded. To improve the EO's monitoring and event alert capacity, automated operations implemented an open systems monitoring project. This project enables proactive monitoring, as defined through threshold and alert configuration, so that the EO can address potential problems before customers are impacted. Performance tuning and fault isolation are supported for both UNIX and Windows environments. It also supports capacity planning from both the trend analysis and new business modeling perspectives. End-to-end response time is tracked for Web transactions and drilldown capabilities are provided to isolate problems. All incidents and changes applied enterprise-wide are logged and recorded, which also allows the EO to monitor and manage any incident at any given time. Cognos Reporting is used as the primary tool for gathering and creating reports, providing the ability to publish any report created to the Web on a secured platform for management and customer review. These metrics are provided for management and business decisions nationwide.

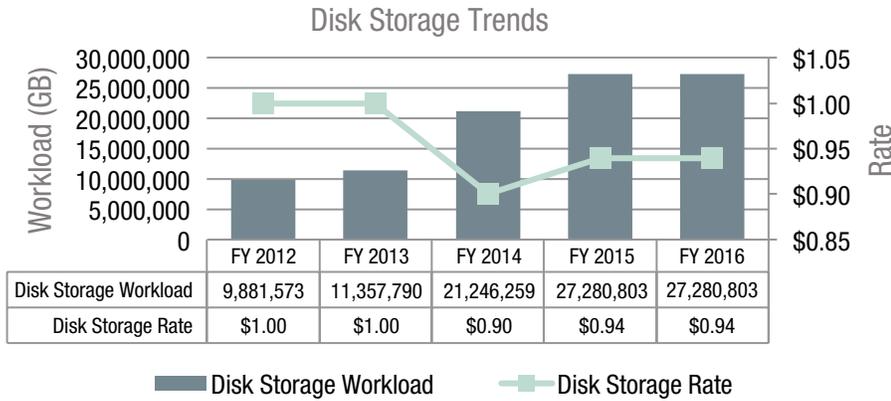


## Disk Storage

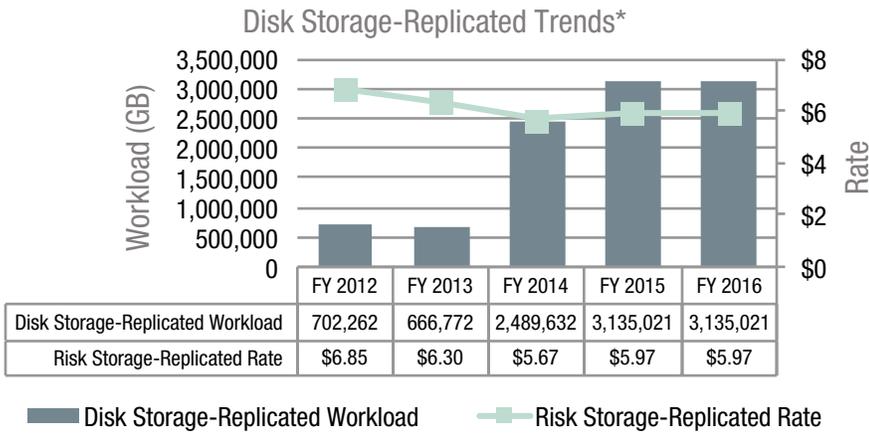
The EO has an established enterprise disk storage environment that meets mainframe and open systems storage performance and data volume requirements, protects data against hardware failure, creates data snapshots, and replicates data to remote sites for contingency planning and DR (Disaster Recovery). Industry-wide decreases in hardware costs per unit and the use of best practices have resulted in a continued decline in disk storage rates. As a result of increased workloads in FY 2012 and FY 2013, the disk storage rate was reduced to \$1.00/GB and further reduced to \$.90/GB in FY 2014.

In FY 2015, the EO will move from a single rate for disk storage to tiered rates based on disk performance. Customers will gain the ability to match the performance they pay for to the performance needed for each application. The top disk storage tier will provide the ultimate disk storage performance by exploiting the latest disk technologies such as solid-state drives. Additional tiers will be slower, but they will also have lower rates. This will give customers the ability to store data that meets their performance requirements at the lowest possible cost per gigabyte.

Increases in Direct Access Storage Device (DASD) workload in FY 2014 included recent initiatives such as Nationwide Health Information Network (NHIN), Veterans Benefits Management System (VBMS), and Surgical Quality & Workflow Management (SQWM). In addition, several legacy applications contributed to increases in DASD workload, including Loan Guaranty (LGY), VBA Corporate (CRP), ESSENCE (ESE), and Administrative Data Repository (ADR).



\*FY 2015 rate is the weighted average rate of all 4 Disk Storage Tiers (Tier 1 - \$1.00/GB Month; Tier 2 - \$.90/GB Month; Tier 3 - \$.80/GB Month; Tier 4 - \$.70/GB Month)

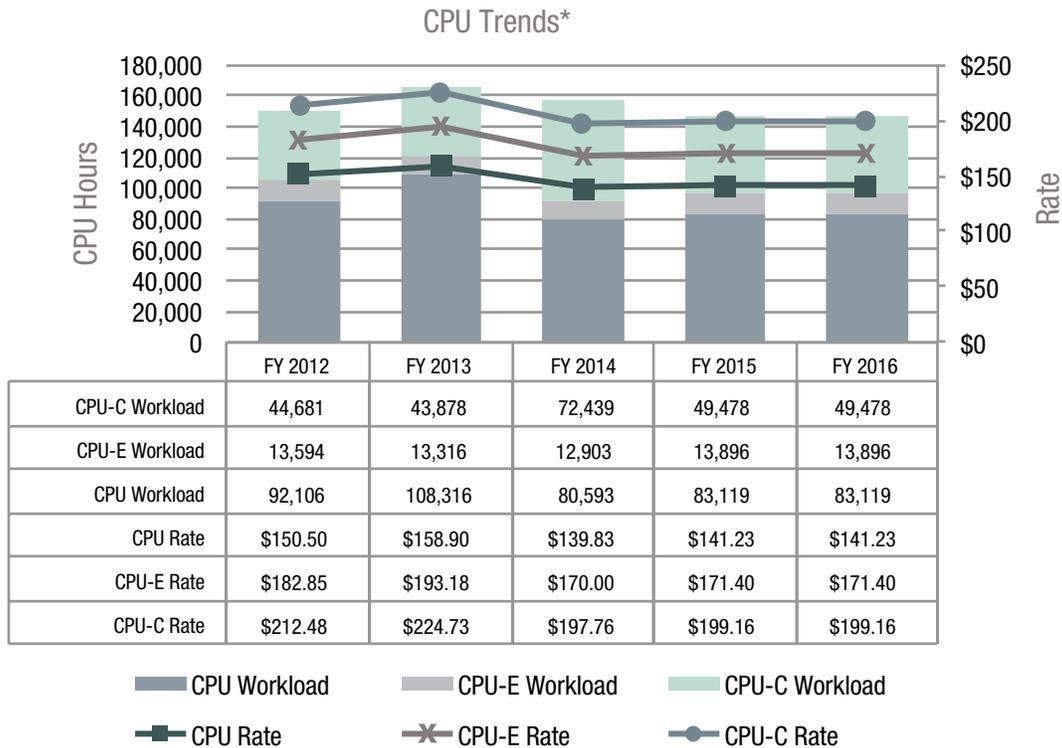


\*Disk Storage-Replicated denotes data storage that is electronically vaulted to a remote data center for application data recovery in the event of a disaster.

\*FY 2015 Disk Storage-Replicated rate is the weighted average rate of all 4 Disk Storage-Replicated Tiers plus the Disk Storage rate of \$.94/GB Month (Disk Storage-Replicated Tier 1 - \$5.20/GB Month; Disk Storage-Replicated Tier 2 - \$4.95/GB Month; Disk Storage-Replicated Tier 3 - \$4.70/GB Month; Disk Storage-Replicated Tier 4 - \$4.45/GB Month)

## Central Processing Time

Rate trends for Central Processor Time (CPU), Central Processor Time-Essential Support (CPU-E), and Central Processor Time-Mission Critical (CPU-C) are illustrated in the chart below. Workloads are projected to remain stable through FY 2016. Increases in FY 2013 costs resulted in moderate increases in the CPU rates; however, costs in FY 2014 decreased, resulting in a rate reduction. Rates for FY 2015 will increase slightly from FY 2014 rates.



\*CPU-E and CPU-C denote CPU processing that can resume application processing within 72 hours and 12 hours respectively of a declared disaster on a mainframe computer.

## Information Technology Segment - RCV

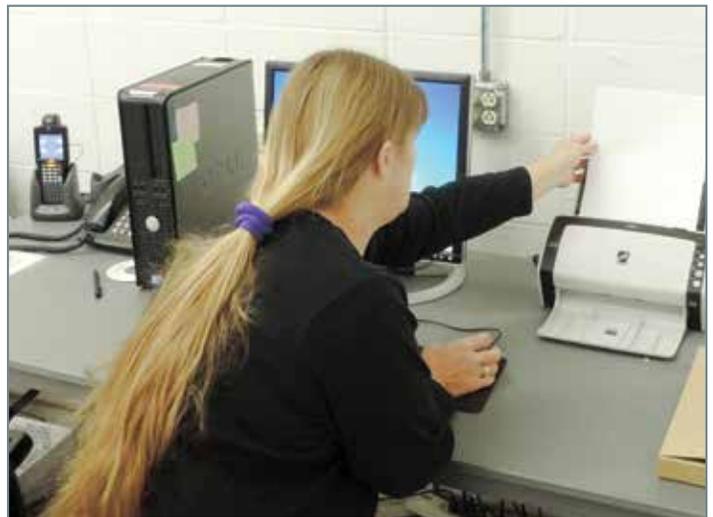
### Records Destruction

Over the first two quarters of FY 2014, the RCV, in conjunction with a contracted commercial vendor, destroyed almost 13,000 square feet of records. These destructions represent over \$63,000 in FY 2014 revenue. The majority of these records were VHA records which had been retained for possible litigation reasons. In late FY 2012, VHA provided approval for their destruction. As the RCV on-site shredder and staff could not accommodate this volume, the RCV opted to award a contract to a commercial vendor for destruction services. The RCV staff accompanied each truckload of records and witnessed the destruction. While the contract was completed, the RCV was able to destroy roughly 2,500 cubic feet of records onsite in early FY 2014.



### Records Retrieval System

The RCV staff is currently working with EO programmers to implement improvements to its current Records Retrieval System (RRS). RRS is the online application used by the RCV and its VA customers to record and monitor incoming VA records, temporary file withdrawals and returns, and permanent file recalls. During FY 2014, the RCV has been working to upgrade RRS so that scanned documents can be downloaded directly from RRS rather than sending scanned documents to customers via email. This will make RRS more useful to the RCV customers, better protect Veterans' data by limiting the risk of inadvertent exposure via email, and simplify the tracking of recall requests for our customers. In past surveys, many of the RCV customers have expressed an interest in this type of service. This upgrade is expected to roll out to customers in Q1 of FY 2015.



### Customer Satisfaction Survey

The RCV conducted a survey of its RRS users in February 2014. The RCV received overwhelmingly positive marks and comments from the respondents. The RCV achieved a 90 percent satisfaction rating, and received several comments indicating a need for automated document delivery. The RCV has taken these comments to heart and is working with programmers to implement a system to upload certain documents directly into RRS for customers to view and download.

# Information Technology Segment Plans for 2015 and Beyond

## Enterprise Operations

### System Development and Upgrades

In FY 2015, the EO plans to develop an automated Data Center Infrastructure Management (DCIM) system to monitor facility infrastructure. The EO also plans to upgrade mainframe hardware with a technical refresh of the Austin z196 processor and DR platform, which serves as the local failover for zLinux guests. The upgrade will allow the EO to maintain vendor-supported hardware. In addition, the EO plans to purchase and install an Uninterruptible Power Supply module and generator, which will increase capacity for additional IT equipment in the data center to provide additional IT support.

### Servers

Historically, the EO has been required to upgrade server platforms for which vendors provide warranty and/or on-going maintenance service only for a limited time; and as the equipment ages, the cost of maintenance dramatically increases or is not available because the vendor has completely discontinued support. It is imperative that the EO have a vendor-supported platform to be able to resolve problems or have parts replaced quickly, minimizing impact to its customers. Additionally, while vendors may still provide maintenance on aging equipment, at times hardware changes that can be made to an existing platform are limited. This limits the EO's ability to adapt/enhance the platforms to support any approved programmatic changes and if alternatives don't exist, it forces a platform upgrade.

Currently, the EO plans to proceed with the upgrade of the primary mainframe production platforms (IBM, z196, and z10 processors), which hosts the z/OS and z/VM

virtual Red Hat Linux environment at Austin to keep the applications on vendor-supported hardware, satisfy the customers' production and disaster recovery needs, and control the maintenance costs, enabling the EO to continue to provide cost-effective services to customers. If these platforms are not upgraded, the risk of significant and adverse customer impact increases dramatically and jeopardizes the EO's ability to satisfy its service level agreements. These physical mainframe hardware upgrades also happen to provide a platform with the smallest footprint and least power and air conditioning consumption for creating virtual servers.

Going forward, the EO will continue to have a need to upgrade existing platforms, though the number of physical platforms is decreasing due to the EO's aggressive move towards virtualization of servers, e.g. consolidating customer environments onto fewer hardware platforms. Overall, the ability to transition an application from running on a physical server to a virtual one can be affected/constrained by a variety of factors (cost, security, application software, vendor support, physical location), and on occasions when a virtual server environment is unable to support requirements, a physical server would still be required.

### Storage on Demand

The EO's Enterprise Storage team is evaluating "storage on demand," which offers rapid scalability in order to meet planned and unplanned capacity requirements, as the primary delivery model for the EO storage. Under this model, storage is preinstalled in the data centers and available for immediate use on an "as-needed" basis. Storage on demand has proven effective in OGA, such as the National Institutes of Health (NIH). The EO is

incorporating DISA's lessons learned in formulating the EO storage on demand proposal.

### **Enterprise Backup Infrastructure**

The EO will continue to deploy and integrate an enterprise backup solution by investing heavily in enterprise-class backup systems. Requirements for data storage are growing at an exponential rate and maintaining data availability, protection, and DR capabilities of our storage are critical to accomplishing our mission.

### **Cloud Computing**

Expanding the EO's technology footprint with virtualization and cloud computing. The EO customers are asking for the ability to obtain virtual platforms within a matter of hours with custom levels of managed services. Cloud computing is the path to meeting this requirement, enabling customers to select from a menu of support options, such as response time and back-up frequency. In addition to providing rapid-deployment services through virtualization, the EO is expanding Information as a Service (IaaS) offerings that provide a greater degree of self-service, cost-effectiveness, and less administrative overhead. The EO is also expanding Continuity of Operations (COOP) options with virtualized environments.

### **High Availability Systems**

The EO is creating high availability (HA) systems having minimal downtime, whether planned or unplanned, for mission-critical applications. HA systems have no "single point of failure" or "single point of repair," and use standards, such as clustering, fault tolerance, error correcting code, and fast recovery systems to achieve this goal.

### **Records Center and Vault**

#### **Projected Warehouse Capacity Limits**

Based on current business trends, the RCV anticipates reaching maximum capacity in the first quarter of FY 2015. The RCV staff has explored the possibility of acquiring new space, but due to OMB's "No Net New" policy, expansion is not feasible at this time. The RCV anticipates meeting its revenue goals for the current fiscal year, as well as fiscal years 2015-2016. Once the RCV has filled to capacity, the RCV will continue to provide services for our customers, including records recalls, refiles, interfiles, and destruction, and will continue to provide our customers with storage space, when it is available.

## Financial Management Segment – FSC

### Vendor File Maintenance

The FSC maintains the centralized vendor file in Financial Management System (FMS) and updates it daily by adding new, or changing existing vendor records. This reduces manual effort across VA and reduces duplicate vendor records, while ensuring the accuracy of the audit trail for VA vendors. The FSC processed over 650,000 requests to modify the Vendor File in FY 2014. Additionally, the FSC answered over 43,000 customer service requests related to the FMS Vendor File in 2014. The FSC continues to support the VA Paper Check Elimination effort by contacting medical and commercial vendors who receive checks and by disseminating notification to current medical providers in order to convert payments from check to Electronic Funds Transfer (EFT). This effort continues to ensure the Department is within U.S. Treasury guidelines while providing costs savings for all the FSC customers.

### Centralization of Payments

During FY 2014, the FSC continued to serve as VHA's centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. The FSC processed approximately one million commercial vendor payments during FY 2014 valued at over \$13 billion. Performance results indicate improvements in payment processing timeliness and accuracy as well as cost savings.

### Centralization of Permanent Change of Station

The FSC manages an automated web-based Permanent Change of Stations (PCS) Travel Portal that expedites processing Intra-Agency Transfer Requests (VA Form 3918), and Requests for Permanent Duty, (VA Form 3036c) throughout VA. The portal streamlines the process for initiating and approving travel documents required by relocating employees who are authorized PCS travel entitlements. Human Resource, Budget and Approving Officials use the web-based application with electronic flow of documents and electronic signature functionality in lieu of the former labor-intensive manual process. Results in FY 2014 continue to show a 69 percent reduction in document processing time. Relocating employees have benefited

from this process improvement through increased flexibility available for move preparations and receipt of timely counseling on PCS entitlements. As of July 2014, the FSC has established over 4,600 station users in the travel portal at 354 VA stations and successfully processed over 780 employee moves.

VA employees can view a list of their authorized entitlements, select documents and populate the required reimbursable information. Upon submission, the FSC claims preparers receive a routing notification to compute the claim. It is then automatically routed to the approving official for review and signature and routed to the FSC auditor for timely payment processing. In FY 2014, 2,143 claims were processed through the PCS portal, with an average processing time of 2.65 days. The FSC continues to implement business process improvements for an 87 percent overall improvement in processing claim documents.

### FSC Grant Consulting Program

The FSC Operational Oversight Division (OOD) supports the VHA Homeless Grant and Per Diem program (GPD) and the Supportive Services for Veteran Families (SSVF) program by providing audit consulting to optimize internal controls and regulatory compliance for Federally-funded providers of homeless Veteran services. The FSC performs risk assessments to identify potential candidates for the FSC site reviews, conducts incurred cost and regulatory compliance reviews, and provides technical assistance and training as requested. The FSC also provides ad hoc audit support for sensitive assignments. In FY 2014, the FSC auditors were scheduled to conduct 47 field engagements, which represent a 100 percent increase in workload from FY 2013. Additionally, the FSC auditors now use data analytic capabilities to monitor and test compliance with the Single Audit Act of 1984 using the guidance provided in OMB Circular A-133. In FY 2015, new automated processes such as electronic working papers, automated risk assessments, and portal-based dashboarding are being developed to improve efficiencies in the grant audit review process.

## Accounting

Station 101 accounting operations were realigned to the FSC during FY 2014. The FSC provides a full range of fiscal accounting functions to Station 101 customers from VA Administrations and staff offices. With the addition of Station 101, the FSC is now providing station accounting services to twelve VA field stations.

## Refugee Medical Care

The FSC has significantly increased the processing and payment of medical claims in support of our long time OGA customer, the Department of Health and Human Services, Office of Refugee Resettlement (ORR). That agency has seen a major increase in the number of unaccompanied minor children entering the United States through the southern border. As part of the processing, the children receive at a minimum, basic medical care upon arrival, as well as follow-up on any significant medical conditions and the FSC pays those medical claims for ORR. During FY 2014, the number of children more than doubled, with a similar increase in the number of medical claims processed and payments made.

## Financial and Accounting Training

The FSC provides training to VA personnel in the areas of Finance and Accounting. The FSC offers FMS, Construction Accounting, Fixed Assets, Agent Cashier, Standard General Ledger, IFCAP, and SF 224 training onsite in Austin as well as at field station locations. During FY 2014 the FSC conducted over 68 training classes and trained over 898 VA personnel. The FSC classes are well received and consistently receive high scores on student evaluations. The FSC developed a new training course covering Interagency Agreements (IAAs) to address VA's internal control deficiency related to Intragovernmental Payments and Collections (IPACs). The course was conducted via Microsoft Lync during July and August 2014 and over 450 VA personnel were trained on the accounting elements of IAAs.

## EDI Enterprise Business Analytics

FSC delivered best-in class data analytics solutions in support of the VHA CBI (Office of Compliance and Business Integrity) strategic plan and its advanced Business Analytics (BA) program portfolio. FSC participates in VA's Working Analytics Group (WAG) and its Metrics

and Analytics programs enabling CBI in providing the system-wide oversight to VHA. FSC enables this data-driven process by collecting and analyzing large amounts of data from diverse VA data sources to tailor integrated solutions for data warehousing, knowledge discovery, data mining, data visualization, and statistical analysis, including predictive analytics. As part of this project, FSC collaborated with CBI to define the CPAC Preventable Third Party Payment Denial Metric. Per CBI this report resulted in FY14 second quarter savings of \$284M and year-to-date savings of \$564M for VHA.

## Data Analytics

FSC has launched a new data analytics initiative focused on providing the capability to use sophisticated analytics on a myriad of data sets to improve decision making, reduce risk exposure, and discover valuable operational insights that would otherwise remain undiscovered within raw and unconnected data. The potential return on investment is inspiring as additional technology focusing on data quality and governance has proven to be absolutely critical in the arena of data driven decision making. FSC is deploying new visual analytics technology to assist with fraud detection/prevention, internal controls testing, continuous monitoring, and business process improvement. FSC conducted extensive market research while constantly working with various VA organizations to develop descriptive and diagnostic analytics models. Data analytics provide the FSC with a powerful capability that can be used for operational oversight, cost savings, and overall improvements for products and services offered by the Center.

## EDI Business Revenue

The FSC continues to support VHA Chief Business Office (CBO) eBusiness Solutions Office initiatives by processing medical claims and insurance verifications transactions. Claims status messages and reports submitted through the EDI process are sent to VA medical centers. Furthermore, the FSC processes medical claims, remittance advice, and explanation of benefits notices to VA medical centers for processing in the integrated billing and accounts receivable VistA modules. During third Quarter of FY 2014, Electronic Commerce Division (ECD) processed approximately 30.3 million electronic transactions. Of those, 20.7 million were healthcare related and the remaining 9.6 million were financial transactions. Healthcare transactions include claims, remittance advice,

insurance verification and responses, pharmacy claims, and explanation of benefit notices. Financial transactions include invoices, payments, and purchase orders.

### FSC EDI Services

The EC/EDI system uses commercially available, off-the-shelf software and national standards to move mission critical information between VA and each of its trading partners. These trading partners include commercial vendors, telecommunication/utility service providers, and healthcare entities such as VA medical centers, and healthcare clearinghouses. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data and concentrate on service objectives. The FSC continues to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data. The FSC supports VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Through the third Quarter of FY 2014, the FSC processed 85.7 million healthcare related electronic transactions compared to 82.8 million transactions in FY 2013.

The FSC also provides EC/EDI services to VA's Denver Acquisition and Logistics Center (DALC) for invoices, billing documents and payment vouchers. At the request of the Office of Acquisition, Logistics, and Construction (OALC), the ECD team took steps to automate processes and eliminate cumbersome manual ones. Commercial invoices, FMS payments and subsistence prime vendor program services are also provided to VA entities nationwide. The FSC also provides EDI services to assist the Veterans Canteen Service in receiving and processing invoices, payments and purchase orders. Through the third Quarter of FY 2014, the FSC ECD processed 9.6 million electronic financial transactions.

### Commercial Vendor Payments

VA continued to enhance its vendor payment processes throughout FY 2014; however, the increase in the prompt payment interest rate from a historical low of 1.4 percent in January 2013 had negative effect on the interest performance metric in FY 2014. Overall VA interest penalties paid per million dollars disbursed increased from \$23 per million in FY 2013 to \$31 per million in FY 2014. At the same time, VA earned 92 percent (\$4 million) of its available discounts. The FSC interest penalties paid per million dollars disbursed also increased from \$11 per million in FY 2013 to

\$16 per million in FY 2014. Additionally, the FSC earned 93 percent (\$3.6 million) of its available discounts.

VA continued to gain efficiencies and improve performance through centralized vendor payment activities at the FSC. Through this centralization, VA strengthened its focus on identifying and preventing improper vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. Additionally, the FSC reviews vendor payments to identify and collect improper payments resulting from erroneous interest penalties.

During FY 2014, the FSC was able to identify and take action on \$4.95 million in improper payments for the Franchise Fund. Improved payment oversight enabled VA to identify and cancel over \$20.2 million in potential improper payments prior to disbursement. Of the \$20.2 million cancelled for VA, \$16.5 thousand was attributable to the Franchise Fund.

### Awards

We are pleased to announce that our technological innovations resulted in our e-Invoicing initiative being recognized in 2014 by Tungsten Corporation with both the "Supplier Engagement Award" and the "Green Award." The Supplier Engagement Award distinguishes the organization that converted the highest number of suppliers from paper invoices to electronic invoicing during 2013. The FSC converted over 21,000 vendors resulting in a 76 percent electronic invoice submission rate to date. The Green Award was presented in association with the Green Organization which promotes environmental best practices around the world and recognizes entities that have eliminated the highest volume of paper invoices during the past year. During 2014, the FSC saved the equivalent of 277 trees and 976 pounds of air pollutants through electronic invoicing. This equates to enough to fuel the average car for 20,506 miles, provide sufficient energy to run the average home for 98 months, and prevent 40 cubic meters of landfill material.

## e-Gov Travel Service 2 Transition

The FSC provides program management for VA's e-Gov Travel Service (ETS), a government-wide, web-based, world-class travel management service for over 100,000 users VA-wide, with 150,000 to 200,000 temporary duty (TDY) vouchers processed annually. In FY 2012, the General Services Administration (GSA) awarded the master contract for e-Gov Travel Services 2 (ETS2). VA followed with its award to Concur Technologies, Inc., utilizing their Concur Government Edition (CGE) offering. All Federal agencies are required to migrate to GSA's new ETS2.

In FY 2014, the FSC transitioned VA from the current ETS, FedTraveler.com to ETS2. This project affects all employees who travel, approve official travel, assist others in the creation and/or submission of documents, maintain a system of record, or make travel arrangements for beneficiary travelers.

ETS2 helps achieve VA's 2015 - 2020 Strategic Plan, Strategic Objective 3.4: Enhance Productivity and Improve the Efficiency of the Provision of Veteran Benefits and Services. ETS2 benefits include enhanced tools to facilitate accountability over travel reservations and approvals for Federal Travelers, a conference reporting tool with conference administration by a centralized office, and future enhancements for mobile technology.

## Travel Management Centers

VA's Travel Management Centers (TMCs) serve Veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment is sent daily through the Department of the Treasury's Electronic Certification System. During FY 2014, the travel management program processed over 404,000 transactions, disbursed payments of over \$47 million and earned over \$705,000 in refunds.

## Purchase Card

During FY 2014, the FSC processed five million purchase card transactions, representing over \$3 billion in purchases. In FY 2014, the electronic billing and payment process for card accounts earned VA over \$54.9 million in credit card refunds, which is a one percent increase compared to FY 2013 levels. These refunds are returned to VA entities for use in Veterans' programs.

## Prime Vendor Payment System

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. The system provides VA medical centers with an efficient process to order supplies at low, negotiated contract prices and guarantees delivery within 24 hours, thereby eliminating the need for warehousing large volumes of supplies. During FY 2014, 143 VA medical centers used the Prime Vendor System to electronically process over 522,000 payments valued at \$3.7 billion.

## Disaster Recovery

The FSC also maintains a capability to respond to and survive any disaster by maintaining a disaster recovery site at the FSC Waco Payment Center located 100 miles away from the FSC's primary Austin, TX site. This recovery site is in a different communication and utility grid, enhancing its survivability. The FSC utilizes a "mirrored" data storage capability which greatly reduces the time required to restore access to and functionality of the FSC major systems/applications. These major systems/applications are tested annually at the Waco recovery site.

## Financial Management Segment – DMC

### Customer Collaboration/ Partnership

This fiscal year the DMC partnered with VHA in a Vista software enhancement project that will enable the DMC to refer delinquent debt to Treasury Cross-Servicing on behalf of VHA. It is estimated that an additional \$36 million in collections will be realized per year. An ancillary benefit of this effort has been enhancement of the patient statement, to provide clarity to patients during the debt collection notification process. In addition, the DMC and VHA are collaborating to enhance the first party medical debt processes.

The DMC also partnered with VHA creating an agreement authorizing the DMC Committee on Waivers and Compromises (COWC) to review Homeless Provider GPD debts for potential compromise, settlement or waiver.

The VA Secretary granted equitable relief to Veterans qualified to receive benefits under the Veterans Retraining Assistance Program (VRAP). As a result, the DMC, in partnership with VBA, has developed a process authorizing the DMC to deliver award payments under the VRAP benefit program. The effort has resulted in a seamless flow of benefits paid to unemployed Veterans seeking retraining that will allow them to return to the work force with skills in a high demand occupation.

The DMC has partnered with the United States Postal Service (USPS) to arrange and conduct Federal Salary Offset Hearings requested by VA employees. The hearings are related to debts owed VA by employees, not involving benefits, under the laws administered by VA. The USPS provides a hearing official not under the control or supervision of the Secretary of Veterans Affairs. This year the DMC created and implemented a VA standard operating procedure on how hearing requests are processed and submitted to the USPS and is further expanding control over this process to maximize efficiency in working with the USPS. Over the past year the DMC has seen a 33 percent increase in the number of employee hearings being referred to the USPS.

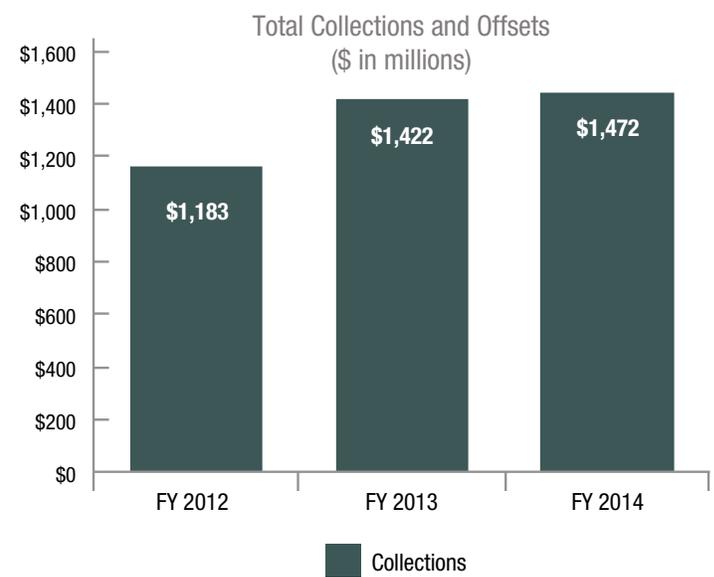
The DMC partnered with the Association of Government Accountants (AGA) and Treasury to create awareness of delinquent post-secondary education debts owed to the Federal government. The pilot identified a workable debt notification process that can be socialized with multiple

Federal agencies to identify and eliminate additional systemic barriers.

### Debt Collection Programs

The DMC collects debts arising from beneficiary participation in VBA education, compensation, pension, and loan guaranty benefit programs. Under VBA education, VA pays benefits under five different education programs to Veterans or their beneficiaries to further their education. Compensation benefits are paid to Veterans who incurred a disability while in military service. Pension benefits are paid under an income based program. The loan guaranty program allows Veterans to acquire VA guaranteed loans for housing purposes.

Debts normally arise as a result of a change in entitlement that either reduces the amount to be paid or terminates the benefit. The DMC attempts to contact the beneficiary as soon as possible after the creation of the debt, in order to collect the debt or enter into a repayment arrangement. After attempting to gain voluntary repayments, the DMC determines if there is a VBA benefit that may be offset to satisfy the debt. If all attempts to collect voluntarily or through benefit offset have failed, the DMC refers delinquent debt accounts to Treasury for offset under the Treasury Offset Program (TOP) or to Treasury for cross-servicing action when eligible.



This chart depicts collections/offsets for FY 2012 - FY 2014.

## Customer Relationship Management

The DMC has started the preliminary work to implement Customer Relationship Management (CRM) unified desktop platform in its call center. This is a VA enterprise platform for VA call centers. The benefit of the CRM solution is to enable a phone specialist to receive a call from a Veteran, spouse, dependent, VSO or other customer and be able to resolve the call in the shortest period of time. To do this, the CRM system will consolidate and display data from multiple VA systems using a single sign on, providing the phone specialist with the information necessary to respond and successfully serve the Veteran. In addition, the CRM will automate many time consuming repetitive tasks, helping to reduce the average call time, eliminating blocked calls, and allowing more Veterans to be served.

## Batch Documentation Recognition

In June 2014 the DMC implemented the Batch Document Recognition (BDR) in its mailroom. This system allows us to scan and index correspondence into our document repository, Synergy. This eliminates the requirement to manually sort and index processed correspondence, while increasing the DMC's processing abilities.

## Enhancement of VHA Debt Management Services

During FY 2014, the DMC enhanced VHA's efficiency in debt management, automating an application of approximately two million payment transactions resulting from TOP and administrative offsets from on-going benefits awards. Previously these entries were entered manually into the Vista and as a result, payment application was delayed. The DMC developed a process which eliminated key entry and allowed for automated application of payments, saving over 26,000 man-hours per year. In addition, Veterans' payments are applied in one day; down from four to seven business days.

# Financial Management Segment Plans for FY 2015 and Beyond

## Financial Service Center

### VA Time & Attendance System

VA Time & Attendance System (VATAS) is a web-based commercial off-the-shelf (COTS) system based on Kronos' WebTA software, which is in use at many other Federal agencies. It will be used to record time and attendance data for VA employees and transmit that data to Defense Finance and Accounting Services (DFAS), VA's payroll service provider. DFAS uses the time and attendance data from VATAS to produce bi-weekly salary payments for VA employees. Presently, VATAS has been deployed in a three-phased approach. The first deployment consisted of VA Title 5 employees at the FSC in Austin, TX, two NCA facilities, and one VBA Regional Office. The second deployment included additional NCA sites, OIT, and the Tomah VA Medical Center. The third deployment included the remaining NCA sites and VISN 12. Additional deployments of VATAS are scheduled in FY 2015, allowing VA the ability to have centralized reporting and increased internal controls over timecard processing.

### OTCnet

The FSC is continuing the expansion of the Department of the Treasury's Over the Counter Channel Application (OTCnet) Check Capture module across VA for those locations currently using the OTCnet Deposit Processing module to alleviate the need to physically deliver checks to a financial institution. OTCnet Check Capture permits scanning of checks and electronic submission of deposit tickets while Deposit Processing permits electronic submission of deposit tickets only.

## Debt Management Center

### Veterans Relationship Management

The DMC is in the process of implementing Veterans Relationship Management (VRM), participating with VA Central Office in a centralized contracting effort scheduled to complete implementation in early FY 2015. The VRM phone center technology and processes will include:

- skills-based call routing
- supervisory monitoring
- call transfers
- call recording for customer service improvement and audit trail
- call wait-time announcement
- centralized performance monitoring
- virtual hold
- scheduled call back
- inter-active voice response

With the implementation of VRM technological tools the DMC will improve the incoming call capacity and enhance the customer service experience for Veterans and their families.

# Personnel Security and Law Enforcement (PS&LE) Segment – SIC

## Office of Personnel Management Connect:Direct

Through the deployment of the application Connect:Direct, in partnership with the Office of Personnel Management (OPM) and its e-Delivery program office, the SIC eliminated the requirement for OPM to mail paper copies of completed investigation case files. With e-Delivery fully deployed and implemented, the SIC receives all completed case files electronically in an encrypted, PDF format. This allows the cases to be adjudicated, reported, and the Certificate of Investigation archived much more efficiently, by eliminating the handling, parsing, and destruction of each individual case file previously received as a paper file.



## SIC Investigations

The continued emphasis placed by the Continuous Readiness in Information Security Program (CRISP) on background investigations is a major reason the number of background investigations continue to increase over previous levels. In addition, continuous evaluation and five tiered levels of investigation are the next large initiatives OPM is developing for implementation.

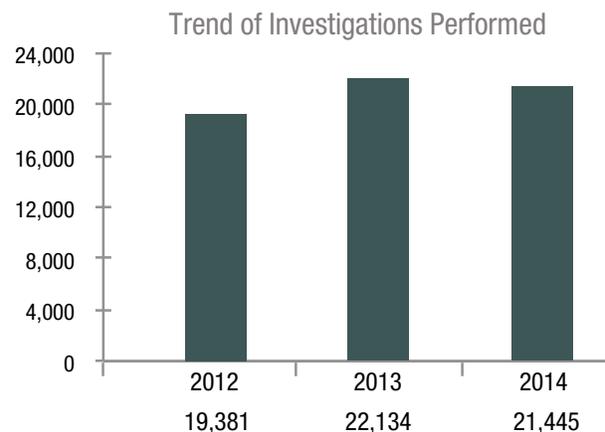
Current information from OPM correlates background investigations to the following tiered level:

Tier	Level	Re-Investigation	Continuous	Req'd Form
Tier V	Top Secret	5 Years	Yes	SF-86
Tier IV	High Risk	5 Years		SF-85P
Tier III	Secret	5 Years		SF-86
Tier II	Moderate Risk	5 Years		SF-85P
Tier I	Low Risk			SF-85

Implementation of the Tiered Level of Investigation is contingent upon the publication of 5 CFR 1400 which replaces 5 CFR 732. Federal agencies will have 24 months to update all Program Descriptions (PD) utilizing OPM's Position Designation Automated Tool (PDAT) to determine the appropriate level of background investigation required. The SIC expects numerous changes to current levels of background investigations across VA, requiring new investigations above programmed amounts. The SIC continues to plan and posture for these changes in order to meet this ever-changing environment of personnel security and suitability.

## Central Adjudication

The VA conducts approximately 49,300 National Agency Check and Inquiries (NACI) employee investigations per year. These investigations are conducted by the field which has the authority to conduct NACI (low risk investigations) on employees only. The SIC expects the number of employee NACIs and adjudication-only NACIs to increase over time as budgets become leaner and requirements on administration and staff offices increase. To facilitate this, VA Handbook 0710 has been drafted to state that employee NACIs and adjudication-only NACIs may be forwarded to the SIC for processing instead of being processed by the field offices. Additionally, OPM is finishing policy and procedures to require all Government Adjudicators to become certified. The SIC has already expended the training and travel funds to obtain certification for all the SIC Adjudicators in preparation to meet VA's expanding background investigation requirements.



# Personnel Security and Law Enforcement Segment – LETC

## Software Implementation

### VA Police Software

The base conversion of the VA Police Software (VAPS) to a Web-based system was implemented effective September 22, 2014, thus eliminating the use of the Citrix platform and server farm and incorporating enhanced functions and operability. Eliminating the Citrix server farm will also significantly reduce costs starting in FY 2015. There will be ongoing updates to the VAPS Web-based system during FY 2015.



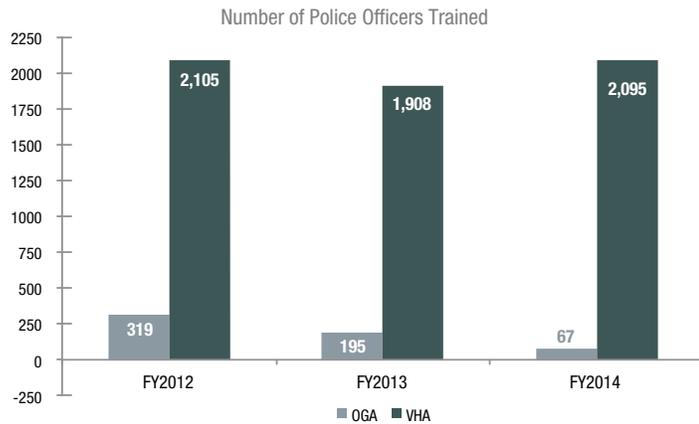
### Successful Curriculum Review

The LETC's programs were re-evaluated for continued compliance with academic standards during FY 2014 by the University of Arkansas Little Rock (UALR). Continuing this fiscal year, students who enroll at UALR are granted nine credit hours of upper level Criminal Justice (CJ) credits for the VA Basic Police Officer Course (VABPOC) and six hours for the Air Force Basic Police Officer Course (AFBPOC). The USAF Basic Police Officer Course (BPOC) curriculum review was conducted in October 2013 and fully implemented during FY 2014. The VABPOC curriculum review was conducted in July 2014 and is still in development. The goal is to fully implement VABPOC during FY 2015. The curriculum reviews established continuing compliance with the Federal Law Enforcement Training Accreditation (FLETA) Standards and has prepared both programs for successful re-accreditation.

The Chancellor and faculty of the University Criminal Justice Program evaluate the course curriculum every two years. VABPOC students are eligible to receive nine semester hours of credit through the University of Arkansas system after successful completion of the course (increased from six with the expansion of the BPOC). The LETC students also receive university credit for our USAF BPOC. Students successfully completing the course are eligible to receive six credit hours.

## Training

The LETC is the only Federal provider that offers specialized training with emphasis on dealing with assaultive patients and policing in a healthcare environment (mandated by Title 38 U.S.C.). During FY 2014, the number of VA police officers trained rose to 2,095, due to VHA's hiring surge of police officers. This represents a 10 percent increase from FY 2013. OGA student numbers have decreased due to budget reductions, however are expected to level out in FY 2015 and FY 2016. The LETC is located on a VA campus which allows on-campus training. This provides police officers the opportunity to train in an environment similar to the one in which they currently work. In FY 2014, the LETC trained 2,162 law enforcement professionals.



## Training Enhancements

The LETC has added the following course offerings to its catalogue to meet the training needs of its customers:

### Introduction to Executive Protection

Introduction to Executive Protection is a 5-day course designed to provide police service personnel the requisite skills and knowledge to assist the Secretary's security detail when called upon. The course consists of topics, such as: key concepts of being a member of a security detail, movements, pre-route surveys, threat assessments, driving techniques, dress and appearance, and documentation.

### Introduction to Police Supervision Course

Introduction to Police Supervision Course is a 5-day course designed to provide police service personnel with supervisory skills. The course consists of topics such as: situational law enforcement, customer-centric communication, becoming a member of the patient care team, and focus on de-escalation concepts, to enable Veterans to receive care versus enforcement of laws, are emphasized.

### Police Service Program Compliance Course

Police Service Program Compliance Course is a 5-day course designed to ensure senior leadership within a VA police service have the knowledge and skills required to provide management and oversight of the critical components of a police service within a VA medical center. Topics to be covered are: evidence accountability, Records Control Schedule filing system, training records management, physical security surveys/vulnerability assessments, fire-arms management/training, report writing and the inspection process. This course is optional, except for new VA chiefs of police or those whose most recent inspection was classified as unsatisfactory. In addition, medical center personnel such as assistant directors, who have little knowledge of managing a police, but have the responsibility of overseeing this function, are afforded the opportunity to attend this course.



# Personnel Security and Law Enforcement Segment Plans for 2015 and Beyond

## Law Enforcement Training Center

### OGA Council

The LETC is considering formalizing an OGA advisory council comprised of senior OGA leadership from customer agencies during FY 2016. We will be reaching out to our OGA customers to gauge their interest in such a council. If the interest is there, this group will be used as a platform for direct input from senior OGA leadership to ensure all law enforcement training needs are identified and focused training is developed in response to those needs.

### ACADIS Training Management and Resource Tracking Software Suite

ACADIS streamlines and automates the LETC's entire training management infrastructure. Initial implementation began in October 2013. Full functionality is scheduled for completion by FY 2016 and will include the following:

- Detailed training records maintained on all VA Police Officers nationwide
- Student and program records maintained and secured in ACADIS
- The LETC's entire fiscal year course schedule maintained and fully customizable down to the instructor, facility, equipment, and supplies needed for each hourly block of instruction
- Lodging assignments issued and tracked; Online course registration allowing field units full function access to manage their officer's LETC training schedule
- Learning Management System provides online training modules to field units
- Entirety of the LETC training curricula maintained on the system
- All written and practical evaluations proctored, documented, and maintained
- Student reaction, learning, and functional application of training captured through ACADIS generated surveys
- Data analysis and full reporting is included in the system.

## Security and Investigation Center

### Organizational Enhancements

The SIC is embracing organizational transition for increased effectiveness and efficiencies. Due to an increase in business, the SIC is increasing staff, reorganizing, and forecasting far into the future. It is anticipated that by the close of FY 2016, the SIC will be capable of paperless processing of background investigations, and the SIC organizational framework will facilitate a personnel security solution that is seamlessly scalable to meet both the needs of VA personnel security requirements as well as OGA customers.

### Personnel Security and Suitability System

The Personnel Security and Suitability System (PSSS) is on schedule and budget to be fielded for Department-wide utilization in January 2015. PSSS version 1.0 was developed to meet the immediate requirements of the SIC, replacing three legacy systems. PSSS version 2.0 will meet the requirements for the Department as the Personnel Security Database of Record. The requirements document for version 2.0 is nearing completion and will be ready to provide to the programmers by the time version 1.0 is fielded. The capabilities of PSSS include:

- Providing one end-to-end system with all background investigation information
- Facilitating a path that ensures complete packets are submitted
- Reducing processing time
- Allowing complete transparency 24/7/365 on an individual case status to authorized VA personnel in the field
- Allowing the field access to Adjudication certificates as the need arises

# Goals, Objectives, and Performance Measures

## VA's Guiding Principles, Strategic Goals, and Integrated Objectives

### Guiding Principles

- **People-centric:** Veterans and their families are the centerpiece of our mission and of everything we do. Equally essential are the people who are the backbone of the Department – our talented and diverse workforce.
- **Results-driven:** We will be measured by our accomplishments, not by our promises.
- **Forward-looking:** We will seek out opportunities for delivering the best services with available resources, continually challenging ourselves to do things smarter and more effectively.

### Strategic Goals

- Improve the quality and accessibility of health-care, benefits, and memorial services while optimizing value.
- Increase Veteran client satisfaction with health, education, training, counseling, financial, and burial benefits and services.
- Raise readiness to provide services and protect people and assets continuously and in time of crisis.
- Improve internal customer satisfaction with management systems and support services to make VA an employer of choice by investing in human capital.

### Integrated Objectives

- VA integrated objective 1: Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.
- VA integrated objective 2: Educate and empower Veterans and their families through proactive outreach and effective advocacy.
- VA integrated objective 3: Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.



## The VA Franchise Fund Goals

### Support VA Goals By:

- Ensuring all applications processing support and general support are of the highest quality.
- Ensuring debt management collection services for delinquent consumer debt meet customer needs and requirements.
- Ensuring financial services meet customer needs and requirements.
- Ensuring VA's work environment is recognized by employees as conducive to productivity and achievement and fosters respect among all.
- Ensuring high-quality and timely background investigations and adjudications for employees in national security and public trust positions, and customer identification badges are issued without delay.
- Ensuring accurate records management and secure archival storage, protection, and retrieval services for Veterans' records and other stored Federal records.
- Establishing and managing the business aspects of the Fund.



The performance information presented below accurately represents the Enterprise Centers' performance during FYs 2012–2014. We are committed to ensuring that reported performance information is accurate and based on reliable information, and we continually seek to improve our data collection and monitoring techniques.

Each component of the VA Franchise Fund is committed to achieving its performance goals to ensure that we remain a performance-based organization.

## Performance Summary Table

Performance Measure	Actuals			Plan	Were 2014 Goals Achieved or Exceeded?	
	2012	2013	2014	2014	Yes	No
Ranking within top 12.5% in the Information Technology Customer Satisfaction database	N/A	N/A	N/A	N/A		N/A
Total collections per dollar spent on collection activities	\$98	N/A	N/A	N/A	N/A	
Percentage of Veterans or beneficiaries who contacted the DMC without receiving a busy signal <sup>1</sup>	N/A	99%	96%	98%		✓
Payment processing accuracy rate	99.4%	99%	99.6%	99%	✓	
Class graduation rate	97.8%	97.5%	97.8%	95%	✓	
Percent of investigations that are completed within the established timeframes	80%	92%	94%	90%	✓	
Percent of recalled records that are shipped securely and accurately to requesting facilities within established timeframes	99.9%	99.9%	99.9%	99.9%	✓	
Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	✓	

<sup>1</sup>As a result of recurring hardware and software failures, coupled with abnormally severe weather, which has cause system outages for our call center. The DMC did not meet our goal of 98 percent of all Veterans being able to access our call center. Process improvements and equipment upgrades implemented in concert with the implementation of Veterans Relationship Management will aid us in achieving our goal going forward.

## Performance Highlights During FY 2014

- The EO's highly automated security controls provide our customers with a high level of assurance that the next major computer virus will have little effect on operations. The EO works closely with the field security office to ensure that all efforts are synchronized with VA's overall security program, and we maintain all current security standards and patches.
- The DMC added 96 additional phone lines to support VRM. This will allow the DMC to interface with over 2,100 Veterans daily. With this increased availability, the DMC will continue to see an increase in the number of Veterans served.
- The FSC transitioned VA from the current ETS, FedTraveler.com to ETS2. This project affects all employees who travel, approve official travel, assist others in the creation and/or submission of documents, maintain a system of record, or make travel arrangements for beneficiary travelers.
- The LETC has developed new accounting and analytical processes and performed an evaluation effectiveness. Any gaps will be identified and modifications implemented for re-deployment in FY 2015.
- The RCV began work to offer customers the option of requesting scanned copies for emergency record retrieval requests. The service will be available to customers in FY 2015.
- The first full year of the SIC's Connect: Direct application, allowing the e-Delivery from OPM for all background investigation case files completed electronically in an encrypted, PDF format. This eliminated the requirement to print and mail hard copy files.
- For the 17th consecutive year, the audited financial statements of the VA Franchise Fund received an unqualified "clean" opinion.



## Limitation Statement

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 351 5(b).

While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## Audit Opinion

For the 17th consecutive year (1998-2014), the VA Franchise Fund has received an unmodified "clean" audit opinion.

## Financial Statement Analysis

The consolidated financial statements present the Franchise Fund's (Fund) financial position, cumulative results of operations, changes in net position, and information on budgetary resources for FY 2014 and FY 2013. Highlights of the information contained in the consolidated financial statements are summarized in this section.

### Overview of Financial Position

#### Assets

The Consolidated Balance Sheets reflect the Fund's asset balances of \$391 million as of September 30, 2014. This is an increase of \$78 million (25 percent over the previous year's total assets of \$313 million). The increase in asset balances is largely due to the EO and the FSC. The EO's collections dramatically increased due to timely receipt of obligations and higher volume of services provided to the customers. Also, the FSC's collections and advances received increased from its internal and external customers.

The Fund's assets as presented in the Consolidated Balance Sheets are summarized in the following table:

	(Dollars in Thousands)	
	2014	2013
Fund Balance with Treasury	\$ 255,243	\$ 200,527
Property, Plant and Equipment, Net	72,647	72,576
Accounts Receivable, Net	61,531	38,859
Other Assets	1,962	1,403
<b>Total Assets</b>	<b>\$ 391,383</b>	<b>\$ 313,365</b>

#### Liabilities

The Fund had total liabilities of \$140 million as of September 30, 2014. This represents an increase of \$44 million (46 percent over the previous year's total liabilities of \$96 million). The increase in other liabilities attributed to accrued salaries and payroll benefits from September 2013 to September 2014 is due to increase in FTEE for the FSC, the EO and the DMC. Also the EO's other than Federal accounts payable increased due to payments processed in September, but not yet paid.

The Fund's liabilities as presented in the Consolidated Balance Sheets are summarized in the following table:

(Dollars in Thousands)		
	2014	2013
Accounts Payable	\$ 81,463	\$ 77,542
Other Liabilities	58,630	18,166
Total Liabilities	\$ 140,093	\$ 95,708

## Net Position

The Fund's net position increased by \$33.6 million in FY 2014 on the Consolidated Balance Sheets and the Consolidated Statement of Changes in Net Position. The net position for the Fund was \$251.3 million in FY 2014, which yielded a 15 percent increase from FY 2013's ending net position of \$217.7 million. Net position is the sum of unexpended funds and cumulative results of operations.

## Net Cost

The Fund's net cost of operations incurred a net gain of \$24.9 million in FY 2014, as reflected in the Consolidated Statement of Net Cost.

## Budgetary Resources

The Combined Statement of Budgetary Resources presents budgetary resources made available to the Fund during the year and the resulting status of budgetary resources at year-end. The Fund does not receive an annual appropriation from Congress. The Fund is fully self-sustained by recovering all costs through reimbursements for services provided. The Fund had total budgetary resources of \$811 million, a \$226 million increase from the FY 2013 level of \$585 million.

The Fund's Budgetary Resources as presented in the Combined Statement of Budgetary Resources are summarized in the following table:

(Dollars in Thousands)		
	2014	2013
Beginning Unobligated Balance	\$ 107,809	\$ 111,647
Spending Authority Earned & Collected	613,692	504,344
Change in Receivable from Federal Sources	22,677	2,392
Change in Unfilled Customer Orders	66,780	33,372
Total Budgetary Resources	\$ 810,958	\$ 585,011

## Management Assurances

The financial and performance data presented in this report are complete and reliable. Throughout the year, VA Franchise Fund senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them.

As part of a VA-wide initiative, Department managers were responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations. During 2014, VA continued its remediation plans to correct the one material weakness identified for "Information Technology (IT) Security Controls." As of September 30, 2014, VA continues to report one material weakness related to "Information Technology (IT) Security Controls."

No new material weaknesses were found in the design or operation of internal controls during 2014 as a result of VA's annual assessment of internal control over financial reporting, operations, laws and regulations, and financial management systems requirements in accordance with FMFIA sections 2 and 4. Under the Federal Financial Management Improvement Act, VA reported non-compliance with Federal financial management system requirements as a result of the material weakness related to Information Technology (IT) Security Controls. VA also reported non-compliance with Federal accounting standards related to the Debt Collection Improvement Act.

<http://www.va.gov/budget/docs/report/2014-VAparPartIV.pdf>